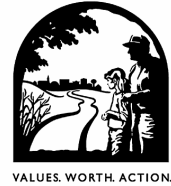


CENTER *for* RURAL AFFAIRS



The Rural Microentrepreneur Assistance Program 2008 Farm Bill, Section 6022

Funding

- Creates \$40 million (authorized) annual rural microenterprise grant and loan program for FY2009 through FY2012
- Total mandatory funding of \$15 million (\$4 million each for fiscal years 2009 through 2011, and \$3 million for FY2012)
- General purposes: Provide rural entrepreneurs with skills and technical and financial assistance to start or operate rural small businesses

Grants to support rural microenterprise development (separate from the microloan program)

- To microenterprise development organizations (MDO) to provide training, operational support, business planning, and market development assistance, and other related services to rural microentrepreneurs
- USDA shall ensure grant recipients are organizations of varying sizes and serve racially- and ethnically diverse populations
- USDA shall place an emphasis on organizations that serve microentrepreneurs in rural areas suffering significant outward migration

Microloans

- USDA shall make loans to MDOs to make fixed interest rate loans to new and growing microbusinesses
- Loan duration should not to exceed 20 years; Interest rate should be at least 1% annually
- Each MDO receiving a loan is required to establish a loan loss reserve in an amount equal to at least 5% of the outstanding balance of loans owed by the organization until all obligations owed to USDA are repaid
- USDA may permit deferral of payments on principal and interest due on the loan to organization for a 2 year period beginning on the date the loan is made

Grants to support rural microentrepreneurs (connected with microloan program)

- For MDOs to provide marketing, management, and other technical assistance to microentrepreneurs that received or are seeking a loan from the microenterprise development organization
- This grant is limited to not more than 25% of total outstanding balance of microloans made by the organization

Administration

- Federal share of the cost of a project funded by this program shall not exceed 75%
- MDOs must match at least 15% of any grant amount
- Not more than 10% of any grant received by an MDO may be used for administrative expenses

Definitions

Microenterprise development organization (MDO): an organization that is a nonprofit entity, Indian tribe (that is not served by an MDO), or public institution of higher education that provides training and technical assistance to rural microentrepreneurs, facilitates access to capital and services to rural microenterprises and has a demonstrated record of delivering services to rural microentrepreneurs or an effective plan to develop such a program

Microentrepreneur: an owner and operator or prospective owner or operator of a rural microenterprise unable to obtain sufficient training, technical assistance or credit

Microloan: a business loan of not more than \$50,000

Rural: any area other than 1) a city or town with 50,000 or greater population, or 2) an urbanized area contiguous or adjacent to a city or town with 50,000 or greater population

Rural Microenterprise: sole proprietorship or business with no more than 10 full-time equivalent employees